



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

MINUTES OF A PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM OPERATIONS AND AUDIT COMMITTEE

HELD ON
Tuesday, May 9, 2013
10:30 a.m., Arizona Time

The Operations and Audit Committee (OAC) of the Arizona State Retirement System (ASRS) met in public session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. Jeff Tyne, Chair, called the meeting to order at 10:32 a.m.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Jeff Tyne, Chair
Mr. Mike Smarik, Vice-Chair
Mr. Brian McNeil
Dr. Richard Jacob

A quorum of the Committee was present for the purpose of conducting business.

Mr. Tyne welcomed Dr. Richard Jacob as a new member of the Committee.

2. Approval of the March 12, 2013 Minutes of the Operations and Audit Committee (OAC) Meeting

Motion: Mr. Brian McNeil moved the Committee accept the minutes of the March 12, 2013 OAC meeting. Mr. Mike Smarik seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

3. Presentation, Discussion and Appropriate Action Regarding an ASRS Risk Assessment of Benefit Calculations and Disbursements

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, addressed the Committee regarding the ASRS Risk Assessment. He noted the ASRS was changing the format in which the Risk Assessment was presented stating that individual parts of the assessment would be presented over the year as opposed to presenting the entire assessment at one time. Mr. Guarino then gave a brief description of how the Risk Assessment is laid out and how individual risks are ranked based on impact, the controls in place to minimize risk, and the strategies

employed by both ASRS Management and the Internal Audit Division.

Mr. Guarino then introduced Ms. Nancy Bennett, Chief Financial Officer, who presented the Committee with an overview of the Risk Assessment section on Disbursements. She discussed the controls in place for disbursements to ensure accuracy, timeliness, and security.

4. Presentation, Discussion and Appropriate Action Regarding the ASRS Internal Audit Biennial Audit Plan for Fiscal Years 2014 and 2015

Mr. Bernard Glick, Chief Internal Auditor, addressed the Committee regarding the Biennial Audit Plan for Fiscal Years 2014 and 2015. Mr. Glick stated the plan would cover the audit period of July 1, 2013 to June 30, 2015, and was based on the ASRS Risk Assessment. He said there will be 7,500 hours available each year to perform audits or audit related work. He then gave a brief overview of the plan for the next two years including the areas of potential risk identified in the Risk Assessment, the areas that will be audited as required by materiality or governance requirements, areas that have not been audited within the past five years, requested audits, and various audit descriptions.

Motion: Mr. Brian McNeil moved the Committee accept the Biennial Audit Plan and forward the plan to the full ASRS Board for consideration. Mr. Mike Smarik seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

5. Presentation, Discussion and Appropriate Action Regarding the ASRS Continuity of Operations Plan

Mr. Guarino gave a brief background overview of the Continuity of Operations Plan (COOP) and then introduced Ms. Molly Mahai, Network Infrastructure Systems Manager, Technology Services Division, who addressed the Committee regarding recently conducted tests of the COOP. She stated that four tests have been completed in the prior year including two table-top exercises and two disaster recovery drills at the ASRS alternative site in Tucson. The tabletop exercises involved different scenarios that would activate the plan. She said the tests were successful but a few issues needed to be resolved, citing "lessons learned" from the testing.

6. Presentation, Discussion and Appropriate Action Regarding ASRS Web Development

Mr. Guarino introduced Mr. Dave King, Assistant Director, Member Services Division, who addressed the Committee regarding the ASRS website and the use of online tools by ASRS members and retirees. Mr. King stated there has been a significant increase in the use of the website for self-service items which has helped to reduce calls and walk-in meetings. He presented a graph showing the current trends in monthly online self-service updates versus manual "live" updates. He said the highest number of calls came in during the month of September when member statements were sent out, but that will be reduced as member statements are now available on the website at any time.

He then gave a brief review of the projects implemented in the past quarter including an ASRS Facebook page, being able to retire online, obtaining updates on pending items, a self-service ability to reset one's account, and the delivery of a quarterly newsletter to member mailboxes.

He then discussed current projects that are under development and various upcoming initiatives.

7. Review of Recently Conducted Audits

- **Pinal County**

Mr. Glick presented the Committee with the audit of Pinal County (County). There were two findings: 1) the County did not remit ASRS contributions on all eligible compensation for 86 employees, and 2) the County did not request a refund for remitted contributions on 77 ineligible members. The credit amount due the County is \$19,046.

8. Presentation, Discussion and Appropriate Action Regarding the Internal Audit Quarterly Update

Mr. Glick presented a spreadsheet containing the summary of internal audits through the period ending March 2013. The spreadsheet listed the audits, the hours budgeted, and estimates of how many hours were used to perform the audits.

9. Request for Future Agenda Items

No future agenda items were requested by the Committee.

10. Call to the Public

No members of the public addressed the Committee.

11. Adjournment of the OAC

Motion: Mr. Mike Smarik moved the Committee adjourn the May 9, 2013 OAC meeting. Mr. Brian McNeil seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

Mr. Tyne adjourned the meeting at 12:39 p.m.

Respectfully Submitted by,

Zachary Kucera
Committee Secretary

Date

Anthony Guarino
Deputy Director and Chief Operations Officer

Date